



KAISER COAL CORPORATION
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June 12, 1985

Pamela Grubaugh-Littig
Division of Oil, Gas and Mining
State of Utah
355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, UT 84180-1203

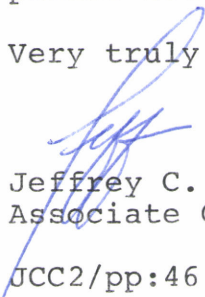
Re: Kaiser Coal Corporation Pro Forma Balance Sheet

Dear Pam:

In accordance with our discussions last week and pursuant to our agreement with the Division, enclosed is a copy of the Touche Ross & Company letter regarding the pro forma balance sheet submitted to the Division earlier in connection with Kaiser Coal Corporation's efforts to self bond certain activities in the state. I believe that the enclosed letter speaks for itself, and I trust that it satisfies the Division's concerns with respect to the subject balance sheet.

If you have any questions or if I can be of further assistance, please let me know.

Very truly yours,


Jeffrey C. Collins
Associate General Counsel

JCC2/pp:46

Enclosure

cc: Denise A. Dragoo w/encl

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JUN 17 1985

DIVISION OF OIL
GAS & MINING

Touche Ross & Co.

June 10, 1985

Board of Directors
Kaiser Steel Corporation
Fontana, California

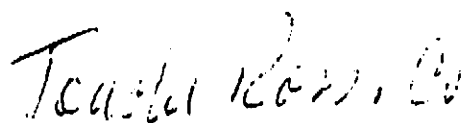
We have examined, in accordance with generally accepted auditing standards, the consolidated financial statements of Kaiser Steel Corporation and subsidiaries as of December 31, 1984 (not presented herein), and for the year then ended (not presented herein), and in our report dated April 3, 1985, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the pro forma balance sheet of Kaiser Coal Corporation as of December 31, 1984, presented on the basis of accounting described in Note A, is fairly stated in all material respects in relation to the consolidated financial statements from which it has been derived.

We have made a review of the consolidated financial statements of Kaiser Steel Corporation and subsidiaries as of March 31, 1985, and the three months then ended (not presented herein) in accordance with standards established by the American Institute of Certified Public Accountants.

A review of interim financial information consists principally of obtaining an understanding of the system for the preparation of interim financial information, applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements for them to be in conformity with generally accepted accounting principles.

The pro forma balance sheet of Kaiser Coal Corporation as of March 31, 1985 presented on the basis of accounting described in Note A, and the related pro forma adjustments, have been subjected to the inquiry and analytic procedures applied to the consolidated financial statements from which they have been derived. Based on our review, we are not aware of any material modifications that should be made to the pro forma information.



Certified Public Accountants

KAISER COAL CORPORATION

NOTES TO PRO FORMA BALANCE SHEETS

DECEMBER 31, 1984 AND MARCH 31, 1985

Note A - Basis of Presentation

Kaiser Coal Corporation (KCC) was formed on January 7, 1985, to facilitate a \$60 million loan pursuant to a Credit Agreement, dated as of March 28, 1985. On March 26, 1985 Kaiser Steel Corporation contributed all of its coal properties and the operating assets of its mining operations in Utah and New Mexico to KCC. The pro forma balance sheets have been prepared as if KCC had been formed and the assets contributed as of December 31, 1984 and March 31, 1985, respectively.

Note B - Pro Forma Adjustment to March 31, 1985 Pro Forma Balance Sheet

The pro forma adjustments record the net proceeds from the \$60 million ten-year loan under the Chase credit agreement. Related costs of issuance have been capitalized as costs related to debt acquisition and will be amortized over the life of the debt instrument.